

Compliance News – FOR IFAs

'We are committed to providing IFAs with a periodic free newsletter and value for money additional services – Please support us!'

MARCH 2011 Edition

Welcome to Compliance News

This publication is issued by Compliance News Limited for the benefit of IFAs and employed Compliance staff in the UK, particularly those working at directly authorised IFA firms. For a copy of all earlier editions please visit: <http://www.fsresourcing.co.uk/compliance-news.php>

Background of the editor:

Phil Dibb worked at PIA/FSA from 1997 to 2002 and now runs his own Compliance Consultancy firm. He spends the majority of time training IFAs on compliance and T & C issues, in addition he is Chairman to a number of regional Compliance forums held around the UK and also a member of the Association of Professional Compliance Consultants.

CONTENTS

1	RDR Update	10	New ISA Limits
2	FSA's Professionalism Paper for RDR	11	Risk Profiling – FSA proposed guidance
3	RDR Newsletter	12	Updated Fee Agreement
4	Gap Fill Event – 14 'Gaps' in one day	13	Restricted vs. Unrestricted Advice
5	Revision Days – RO & AF	14	Remote File Checking Service
6	PI Insurance – Typical premiums	15	South East firm looking to exit
7	A New Approach....HM Treasury Paper	16	Wraps & Platforms
8	Oral Disclosure	17	Premier Service – The Annual Cost
9	FOS Complaints Data	18	How to subscribe

Distribution:

This bulletin is now issued to over 12,000 IFAs who have been in contact with Compliance News since Phil Dibb left the FSA. The aim is to get the distribution up to 15000. If this can be achieved, more free updates and assistance will be available to the readers. To this end, please would you ask any other IFAs you know to register for the bulletin by emailing compliance@ifahelpline.co.uk

Compliance News Premier Service

IFAs can now subscribe to receive a wide range of **forms and templates** to assist with the running of their business. See page 6 for full details. All forms will be issued direct to subscribers and most are on a word document. We plan to issue a **minimum of 50** templates / forms during the next 12 months, from only £175 for the year. We hope this service will save a typical firm at least 50 hours each year and avoid 'reinventing the wheel'. Recently designed documents include:

New CPD Certificate	Complaints handling annual test
Oral Disclosure Checklist & Summary	Complaints procedures
Oral Disclosure Powerpoint Presentation	GP IFA written test
Gap Fill Template	IFA Higher Level test
Interest only mortgage checklist	Non advisor test
Client Proposition documents	Structured Product test
Updated fee agreement	Mortgage test

We also issue an update email every six weeks to all subscribers updating them of important issues which IFAs need to be aware of.

Why not email compliance@ifahelpline.co.uk and receive it direct to your PC?

Disclaimer: Compliance News is a trading style of Compliance News Limited. Compliance News cannot be held responsible for the views and interpretations shown in this publication. Authorised firms remain responsible for complying with the FSA requirements and such obligations cannot be transferred to a third party. Errors and omissions excepted.

1. Retail Distribution Review (RDR) - UPDATE

The proposed changes continue to take up significant amounts of discussion time at IFA firms. In our opinion, many advisers (CF30's) are not fully aware of the three key stages to cover, to be able to continue advising on investments & pensions from 1/1/2013. We believe these are:-

1. Obtaining a level 4 qualification.
2. Gap-fill (132 gaps shown on the CII / PFS website). As many advisers are using a mixture of old and new CII exams, this is relevant to a large % of advisers. Just getting the 140 CII points is not sufficient. However, there are certain other ways available which mean that no gap-fill is required (none are easy).
3. Obtaining a 'SPS' (Statement of Professional Standing) – Issued by an FSA accredited body (see below). The main initial focus should be on the level 4 qualification; followed by having adequate gap-fill CPD (if required) and then being able to demonstrate fitness and propriety.

We are in the process of drafting a short summary of the main qualification options. To receive a free copy, please send us an email with 'Qualifications summary' in the subject box. This is freely available to non-subscribers. Our subscribing members will automatically receive a copy.

2. FSA'S PROFESSIONALISM PAPER FOR THE RDR

On the 20th January 2011 the FSA issued this document, delayed from December 2010.

The main focus is the introduction of the annual requirement for advisers to have a 'Statement of Professional Standing' issued by an FSA accredited body (non-refundable application fee of £2500 to apply to become an accredited body). We understand the main

trade bodies will possibly be the market leaders with the SPS accreditation. Whilst we believe some of the requirements are slightly excessive, the decision has now been made and we are working with the proposed changes. The link below takes you to the 126 page document. Much of the paper is about the standards to be applied by the accredited bodies.

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2011/008.shtml>

KEY PARTS OF THE PAPER TO READ – Source - FSA website – February 2011

Background: The FSA's recent Professionalism paper states ...(page 23 – 4th para).....'*we reiterate that gap-fill should be structured, rather than unstructured, CPD. However, if structured CPD is not available to fill the gap identified, then an adviser may complete the gap by reading suitable material. We expect that such cases would be for a minority of gaps, if any.*'

Also, section 2.1.20 (page 62 of 72) states ...'*Examples of structured continuing professional development activities include participating in courses, seminars, lectures, conferences, workshops, web-based seminars or e-learning which require a contribution of thirty minutes or more.*' (Please re-read this wording again and focus on the 'participating' and 'contribution'; this is important in our preparation of our gap-filling days; as we would not wish advisers/staff to spend money on gap-fill activity to be told the content was not appropriate).

As some organisations have suggested that reading certain documents and / or attending seminars will suffice, we have written to the FSA's RDR team informing them of our concerns. We are worried that many advisers could undertake such reading only to find the SPS assessor will not sign them off during the later stages of 2012 (we await a reply).

The following links take you to the main documents:

http://www.fsa.gov.uk/pubs/policy/ps11_01.pdf

http://www.fsa.gov.uk/smallfirms/your_firm_type/financial/pdf/FS055_rdr_pr.pdf

<http://www.fsa.gov.uk/pubs/newsletters/rdr1.pdf>

3. RDR - NEWSLETTER

This was issued on the 9th February 2011 – This is a strong message from the FSA and we recommend that all key staff at IFA firms AND advisers read this. The section on Non-RDR qualified advisers moving to become introducers or paraplanners gives a clear message from the FSA (page 3 on the link).

<http://www.fsa.gov.uk/pubs/newsletters/rdr1.pdf>

4. GAP FILL TRAINING – Regulation & Ethics - 14 'gaps' in one day

We are designing a course which is structured and aimed specifically at gap-fill and will promote both participation and contribution. Phil Dibb will run the course, a wide range of handouts / CPD documents will be used / provided. The cost per person is £140 (reduced to £120 for Premier Service subscribing firms).

The day will be run from 9-15am to 4-30pm (refreshments including lunch provided).

Proposed dates:

Tuesday 10th May 2011 – Coventry region
Wednesday 11th May 2011 – Bristol region
Thursday 12th May 2011 – Enfield region
Wednesday 1st June 2011 - M62 corridor
Tuesday 7th June 2011 – Reading region
Wednesday 8th June 2011 – Gatwick area
Thursday 9th June 2011 – Heathrow region

To register your interest, please email compliance@ifahelpline.co.uk with 'Gap-fill course – Location XXXX' in the subject box. We do plan to run more, if these sessions prove to be popular.

5. REVISION DAYS – JO5 / R04 / R06 / AF1 / AF2 / AF3 / AF4 / AF5

We continue to work with Steve Davis & Mark Thewlis, to run these sessions.

The following sessions are now available. Please note the maximum delegates for the AF sessions is 10 per course. The AF costs are higher due to the additional preparation time and new material. If you are looking at taking AF5 in the future, please strongly consider the two dates in April 2011, as we may not run these for the next sitting in October 2011. The Saturday AF5 session could be popular as it is only 5 days away from the exam (the revision course will concentrate on the case studies issued prior to the exam).

The following 11 dates are scheduled for training courses:-

JO5 – Tuesday 22nd March 2011 - Wetherby - £149 per delegate

AF2 – 22nd March 2011 – £240- Wetherby
AF1 – 23rd March 2011 – £240- Wetherby
AF3 – 24th March 2011 – £240- Wetherby
AF4 – 31st March 2011 – £240- Wetherby
AF5 – 1st April 2011 – £240- Wetherby

RO6 – Thursday 7th April 2011 – Wetherby area - £195

RO6 – Friday 8th April 2011 – East Midlands area - £195

AF5 – Saturday 9th April 2011 – Nottingham area - £240

RO4 – Monday 18th April 2011 – North of England - £195

RO4 – Wednesday 20th April 2011 – Northampton area - £195

To register interest please email compliance@ifahelpline.co.uk with the exam reference in the subject box (AF5 Revision...)

Readers may also be interested in the following one-day courses run by the FSA.

*T&C Conference – cost £522 per person
Non-Executive Directors forum – cost £714 per person (includes drinks reception at 5.30pm)*

Financial Crime Conference – cost £522 per person

For more details visit www.fsa.gov.uk

6. PI INSURANCE – Contact us for our ‘typical premium’ factsheet

As some firms will know there have been some significant developments in the PII broker market recently and also a few questions raised about certain insurers commitment to the IFA market. Because of this, we have been approached by a leading broker with a keen interest in developing their

IFA book. We are soon to receive a factsheet showing typical example premiums and excesses (we believe the figures are very competitive). Should you wish to receive a copy, please would you email compliance@ifahelpline.co.uk with ‘PII summary’ in the subject box.

7. A NEW APPROACH TO FINANCIAL REGULATION – HM TREASURY PAPER

Please see the link below, to the HM Treasury paper on ‘A new approach to Financial Regulation’ (138 pages).

http://www.hm-treasury.gov.uk/d/consult_newfinancial_regulation170211.pdf

8. ORAL DISCLOSURE

Many firms have received a letter from the FSA on the topic of ‘*Oral Disclosure – on non-investment protection products*’. We are still awaiting a reply from the FSA on an important point, as most IFAs apply the COB rules (Conduct of Business), however, the letter only discusses ICOB (Insurance Conduct of Business Rules).

Premier Service subscribers have been issued with the following documents:

- >Checklist & Summary
- >Flowchart Process
- >Staff training Powerpoint presentation
- >Sample email / letter to send to the FSA (you must write to the FSA by the 29th May 2011).

http://www.fsa.gov.uk/pubs/other/oral_disclosure.pdf

9. FOS COMPLAINTS DATA

This recent data was issued on the 28th February 2011. For the period 1/7/10 to 31/12/10 a total of 97,237 new cases were received. If you see the two links below, you will note that this is chilling reading for the

Banks and large organistaions. In our opinion, the IFA sector is again seen as a lower risk sector of the FSA’s population. The dividend of good TCF, competent staff and a defined client proposition / service is again (in our opinion) benefiting the IFA sector.

<http://www.financial-ombudsman.org.uk/news/updates/complaints-data-jul-jun-2010.html>

10. NEW ISA LIMITS FOR 2011-12

Just as a reminder the new limits are as follows: Overall limit - £10,680 - Cash limit - £5,340
Stocks & shares limit - £10,680 http://www.hm-treasury.gov.uk/d/rates_thresholds_tables.pdf

11. FSA proposed guidance on ‘establishing the risk a customer is willing and able to take’

The following link is a very important read. During the week commencing 14th March 2011 we will be issuing a summary for our subscribing firms to use as part of their own internal review which also links in with TCF.

http://www.fsa.gov.uk/pages/Library/Policy/guidance_consultations/2011/11_01.shtml

12. FEE AGREEMENT

Our updated Fee Agreement is to be issued to subscribing firms during March 2011.

13. RESTRICTED vs. UNRESTRICTED ADVICE - FAQs

The six most common questions from our firms were:

1. At the moment many IFAs are known as 'independent', will this term be phased out to become 'unrestricted' advisers over time?

2. If an IFA firm have an investment committee that meet every month to make certain decisions, will they be able to agree that a certain class of investment (what is currently available across the market) is not appropriate to their clients for the forthcoming three months? For example, one IFA firm in Yorkshire have a client base who are very traditional and typically 'cautious'. Due to the problems with Lehman's and Key Data the IFA firm is reluctant to recommend any investment based structured products, as they cannot be convinced they would be covered by the FSCS and believe the mechanics of the product are too complex for their client base. From 1/1/2013, will they be allowed to continue to be 'unrestricted'?

3. PII – If a firm's PII policy specifically excludes a certain area (such as Investment Trusts or Unregulated collectives) will that stop them from being 'Unrestricted' advisers?

4. Could an existing IFA firm decide to become 'restricted' and only say they offer products from say the big household names (Standard Life, Aviva, Barclays, Scottish Widows), as an example. They would agree not to use the word 'independent' or 'unrestricted', but would this be acceptable?

5. Model portfolios / list of 'panel' funds: Similar to question 4, could an IFA firm select say 20 funds to recommend across various classes and review each quarter?

6. Which products will be included in the definition of packaged retail investment products? How do wraps/platforms fit in, if they are not 100% whole of market?

The answers / comments to these are issued to all subscribing firms.

14. REMOTE FILE CHECKING SERVICE

Through our sister company Just CRS Limited, we are able to provide a remote file checking service to IFA firms on a 'pay as you go' basis.

The costs are: £65 per remote client file review with summary sheet (excluding

multiple transaction files or higher risk cases such as drawdown, structured products or PP switching) or £95 per drawdown / PP switching (up to 3 into 1) remote file check.

Please contact Katherine Horgan at katherine@justcrs.co.uk or 07815 767204

15. SOUTH EAST IFA FIRM LOOKING TO EXIT

We have been contacted by a firm in confidence, who are looking to start early discussions with potential buyers. The IFA firm is in the South East London area / Kent borders. The vast majority of income is from Pensions & Investments, trail commission is approximately £150k p.a. Should an introduction via Compliance News be successful, we are asking the purchaser to pay £600 (six hundred pounds only) to Compliance News for the introduction.

If you would like us to pass on your details to the business (again in confidence), please would you email us with 'Kent Borders IFA' in the subject box. We have agreed with the firm not to divulge their details to anyone and only pass on details of interested parties. Compliance News can confirm this is a legitimate company and we have met the business owner in person.

16. WRAPS & PLATFORMS

We have recently written a PowerPoint presentation for a Wrap discussion group where we were the independent speaker. It touches on various wrap issues including the FSA's change of stance on whether an IFA

firm could potentially just use a single platform. This includes various topical areas to be considered by firms who adopt a platform. The RDR newsletter (see point 3) also mentions this area.

http://www.fsa.gov.uk/pages/Library/Policy/CP/2010/10_29.shtml

17. COMPLIANCE NEWS PREMIER SERVICE – The annual cost is per firm – not RI

As mentioned, this is a service offered by Compliance News, which was prompted by several IFAs who contacted us following the first newsletter, requesting most of the forms. We believe this service will save a typical IFA firm at least 50 to 80 hours per year.

MOST DOCUMENTS ARE SENT ELECTRONICALLY ON 'WORD'

Benefit: You have access to **all the forms** we have, at no extra charge. We will send a wide range of IFA forms / guidance on a regular basis to you in 'word' document format. In addition, wherever possible we will try and assist with individual requests. **We also issue an update email every six weeks to all subscribers updating them of important issues which IFAs need to be aware of.**

To register: Please complete the back page with your details, enclosing a cheque made payable to Compliance News Limited.

The following is a list of just some of the documents, which will be issued.

TCF forms – Too many to list
Generic Knowledge test for advisers
Reference Request forms
Conflicts of Interest Policy
Data Security documents
Copies of relevant FSA guidance
Anti-Money Laundering Annual test
Updated Terms of Business letters (RCA)
Compliance / Risk Mitigation plan,
Updated Observation forms
Adviser Role / Job Description templates
Risk Assessment / calculator of adviser,
Fit & Proper adviser annual declarations,
Client agreements / Fee agreements,

Mortgage Regulation checklists,
Customer Satisfaction Surveys,
Maintaining Competence (T & C) form,
Suitability Letter templates,
File completeness checking forms,
Blank reference request forms, diary template,
Disaster Recovery / Continuity plan,
Provider Research summary forms,
Recruitment checklists
TCF Visit – IFA feedback from FSA
New IDD (SCDD) documents
Mortgage advice/file checking forms
Personal account dealing declaration
Compliance Board Report templates.

“Whilst the above list may appear to be comprehensive the real benefit to most subscribers is being able to email a request and receive a template. We are generally able to help with 90% of all requests”

PRICES HELD UNTIL 30TH APRIL 2011

On 1st May 2011 there will be a small increase in subscription costs for NEW subscribers. The costs shown on the last page are only available for payments received by Friday 29th April 2011.

Compliance News Premier Service – Any questions?

If you cannot decide whether this service will be of benefit, or if you have any questions as to how many documents you will get / have access to, we will be glad to call you to answer any queries. Please send a quick email to the address below with 'Premier News Enquiry' in the title box and we will call you.

compliance@ifahelpline.co.uk

Tel: 0113-2583111

18. COMPLIANCE NEWS PREMIER SERVICE – HOW TO SUBSCRIBE

SHOULD YOU WISH TO SUBSCRIBE TO THE COMPLIANCE NEWS PREMIER SERVICE OR REGISTER YOUR INTEREST FOR ANY OTHER SERVICE, PLEASE COMPLETE THIS SHEET AND POST TO:

**Compliance News Limited, 19 Henley Close, Rawdon, Leeds, LS19 6QB
compliance@ifahelpline.co.uk**

Compliance News Premier Service (cost for 12 month membership): This service provides copies of all the popular documents (80+) we offer, mainly in 'word' format.

SUBSCRIBERS TO THE PREMIER SERVICE WILL AUTOMATICALLY BE ENTITLED TO ALL THE DOCUMENTS DETAILED AT NO EXTRA COST (PLUS OTHERS WE DESIGN DURING YOUR SUBSCRIPTION).

Compliance News Premier Service – Small IFA firms with 1 to 10 advisers. Firms who do not have more than 10 IFAs or 3 Appointed Rep's, do not provide Compliance/Commercial services to other IFAs and agree not to pass on the material to external firms.	Cost £175 Please tick
Compliance News Premier Service – IFAs with 11 to 25 advisers and up to 9 AR's. Firms who do not have more than 25 IFAs or 9 Appointed Representatives, do not provide Compliance / Commercial services to other IFAs and agree not to pass on the material to external firms.	Cost £275 Please tick
Compliance News Premier Service – Large IFAs, Networks and other Compliance consultancies. Please contact us, as costs vary depending on size and activity.	Please contact us

Please note that the prices quoted above are for IFA firms, which are directly authorised with the FSA. Compliance News Limited reserves the right to increase the prices for other organisations, such as networks and those who also provide compliance support, that may require copies of certain documents.

**Please make cheques payable to Compliance News Limited and post to the address at the top of this form. An invoice marked as 'paid' will be issued.
For BACS details, please email us.**

Name/Contact:

Firm:

Address:

Are you an authorised firm? Yes / No

Tel:

Email:

Should you wish to receive further information on a particular topic, please complete the form below.

Compliance News – Additional Services			
	Tick (☞)		Tick (☞)
Please keep me informed of any 'Gap-Fill' sessions / updates		Remote-file checking – On <u>either</u> a set number per month or pay as you go basis	
Please send me a FREE copy of the exam guide / options		PPP Switching Review Work	
Variation of Permission / FSA New Authorisation assistance		Annual Compliance Audit / Mock FSA visit	
TCF planning / support		T & C Supervisor / Refresher Course	

Name:

E-mail:

Firm:

FSA Number: